



## Analysis of the Relationship between Leader-Member Exchange and Talent Management on Performance with Person-Organization Fit as an Intervening Variable

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### ABSTRACT

This study aims to analyze the effect of Leader-Member Exchange (LMX) and Talent Management on Employee Performance with Person-Organization Fit (PO Fit) as an intervening variable in State-Owned Enterprises (BUMN) in Eastern Indonesia. BUMN in this region face specific challenges including infrastructure limitations and human resource gaps that affect overall organizational performance. The use of a quantitative approach with a survey method was conducted on 300 employees in several representative BUMN in Eastern Indonesia. Data were analyzed using the Structural Equation Modeling (SEM) technique to test the direct and indirect relationships between variables. The results showed that LMX and Talent Management had a positive and significant effect on Employee Performance. In addition, PO Fit was proven to function as a significant mediating variable in strengthening the effect of LMX and Talent Management on Employee Performance. Employees who feel a good fit with the values and culture of the organization show higher performance when the relationship with the leader and talent management in the organization is strong.

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## INTRODUCTION

Organizational performance, especially in the context of State-Owned Enterprises (SOEs), is greatly influenced by the quality of the relationship between leaders and team members and effective talent management. SOEs in Eastern Indonesia face unique challenges related to resource distribution, limited infrastructure, and diverse local social and economic conditions. In dealing with this complexity, the Leader-Member Exchange (LMX) relationship becomes crucial because it shows the quality of interaction and support provided by leaders to their team members. Good interaction between leaders and members has the potential to increase motivation, loyalty, and productivity, thus positively impacting individual and overall organizational performance.

On the other hand, the strategic and planned implementation of Talent Management can support organizations in identifying, developing, and retaining high-performing employees. Talent Management is not only related to employee selection and training, but also includes career development and individual empowerment so that they can contribute optimally in achieving organizational goals. In the context of BUMN in Eastern Indonesia, this effort is increasingly important to ensure the readiness of a quality workforce in facing changes in the business environment and increasingly tight competition. In addition to these two factors, Person-Organization Fit (PO Fit) or the suitability between individuals and organizations also plays an important role in employee performance. PO Fit describes the alignment of values, goals, and work culture between individuals and organizations. When employees feel this fit, they tend to have higher levels of job satisfaction, stronger commitment, and a tendency to remain in the organization. Therefore, PO Fit can function as an intervening variable that strengthens the relationship between LMX and Talent Management with employee performance in the context of BUMN in Eastern Indonesia.

State-owned enterprises in Eastern Indonesia face quite complex challenges in improving organizational performance and maximizing employee productivity. These challenges are not only caused by geographical constraints and infrastructure limitations, but also by the mismatch between human resource management strategies and dynamic work environment conditions. One of the main problems faced is the low quality of interaction between leaders and team members or Leader-Member Exchange (LMX). The low quality of LMX can result in employees feeling less supported and less involved, which ultimately has a negative impact on their performance. In addition, the implementation of Talent Management in this region is still less than optimal. Many state-owned enterprises do not yet have a comprehensive strategy in identifying and developing high-performing talents, which has the potential to cause stagnation in employee performance. In fact, effective talent management is needed to face increasingly fierce competition and changes in the business environment. Employees who do not feel empowered or do not see clear career development prospects tend to have low work motivation, which also affects individual and organizational performance as a whole.

Person-Organization Fit (PO Fit) or the suitability between individual values and goals with the organization is also a crucial issue in BUMN East

Indonesia. Many employees feel that their personal values or expectations are not aligned with the culture and policies of the organization, resulting in low levels of job satisfaction, loyalty, and commitment. This mismatch can exacerbate the negative effects of suboptimal LMX and Talent Management, as well as hinder efforts to improve organizational performance.

Specifically, the problems faced are:

1. Low quality of Leader-Member Exchange (LMX) which results in lack of support, communication, and employee involvement, thus hampering their performance.
2. Lack of strategic and structured implementation of Talent Management, so that the potential of employees who can contribute significantly to the organization is not optimized properly.
3. Mismatch between values, goals, and organizational culture with employee expectations (Person-Organization Fit) which causes low job satisfaction and commitment, as well as lower motivation and productivity.
4. Lack of previous research discussing the relationship between LMX, Talent Management, and PO Fit in the context of BUMN in Eastern Indonesia, so that knowledge regarding effective strategies in managing human resources in this region is still limited.

Table 1. Research aspects and problems

Aspect	Specific Issues	Relevant Data Sources
<b>Leader-Member Exchange (LMX)</b>	The low quality of the relationship between leaders and employees in BUMN in the Eastern Indonesia region results in a lack of employee engagement and motivation. Employees feel they do not get enough support, which has a negative impact on performance.	- Internal survey of BUMN employees regarding perceptions of leader support and work relationships. - BUMN annual report containing data on employee engagement and satisfaction.
<b>Talent Management</b>	Lack of strategic and planned Talent Management implementation in BUMN, especially in Eastern Indonesia. This causes employee potential to be less optimized, which has an impact on stagnation in improving individual and organizational performance.	- Report on HR practices and recruitment in BUMN in Eastern Indonesia. - Data from the Ministry of BUMN or national HR reports covering talent management practices and effectiveness.
<b>Person-Organization Fit (PO Fit)</b>	Many employees feel that the values, goals and culture of the BUMN organization do not match their expectations or personal values, which leads to low job satisfaction and loyalty, and has a negative	- Employee Engagement and PO Fit surveys in organizations in Indonesia (e.g. surveys from state-owned enterprises or labor research institutions).

Aspect	Specific Issues	Relevant Data Sources
<b>Employee performance</b>	<p>impact on motivation and productivity.</p> <p>The level of employee performance in state-owned enterprises in Eastern Indonesia is relatively low due to the weak quality of LMX relationships, lack of talent management, and mismatch between individual and organizational values, which hinders increased productivity.</p>	<p>- Academic research on PO Fit and job satisfaction in public sector organizations.</p> <p>- Annual or quarterly performance reports of BUMNs that include employee performance evaluations.</p> <p>- Survey of job satisfaction and productivity of BUMN employees in the Eastern Indonesia region.</p>
<b>Previous Research</b>	<p>The lack of research that specifically discusses the relationship between LMX, Talent Management, and PO Fit in the context of BUMN in Eastern Indonesia, so that understanding of effective HR management strategies in this region is still limited.</p>	<p>- Academic journal databases (e.g. JSTOR, Emerald Insight) for LMX, Talent Management, and PO Fit studies in the context of SOEs or public sector organizations.</p> <p>- Repositories of theses and dissertations of universities in Indonesia.</p>
<b>Intervening Variable (PO Fit)</b>	<p>Lack of research exploring the role of PO Fit as a mediating variable and Google Scholar for between LMX and Talent Management on performance. PO Fit has the potential to strengthen the relationship between these variables, but has not been widely studied in the context of BUMN.</p>	<p>- Academic journal databases such as Scopus and Google Scholar for empirical research on PO Fit as a mediating variable in public organizations or BUMN.</p> <p>- HR reports in BUMN related to perceptions of value fit.</p>

Given these problems, this study is important to be conducted in order to understand how these three factors interact and influence employee performance, so that it can provide strategic input for BUMN in Eastern Indonesia in improving the effectiveness of human resource management and achieving more optimal performance. This study aims to analyze the influence of Leader-Member Exchange and Talent Management on employee performance, with Person-Organization Fit as an intervening variable, in order to better understand how these three variables interact with each other in supporting improved employee performance in BUMN in Eastern Indonesia. This study is

expected to contribute to the development of human resource management strategies in BUMN and other organizations operating in similar conditions.

## **LITERATURE REVIEW**

### ***Leader-Member Exchange (LMX) Theory***

Leader-Member Exchange (LMX) Theory emphasizes that the quality of the relationship between leaders and team members affects various aspects of employee performance. According to this theory, a good relationship between leaders and team members is characterized by open communication, support, trust, and recognition from the leader. Recent research suggests that LMX has a significant impact on organizational commitment, job satisfaction, and employee performance (Graen & Uhl-Bien, 2023). This theory also shows that employees who have a good relationship with their leaders tend to be more motivated to work and have a higher commitment to the organization, which can improve performance.

In the context of BUMN, LMX is very relevant considering the importance of support from leaders in facing organizational challenges, especially in the Eastern Indonesia region. When leaders are able to build quality relationships with team members, employees will feel more supported and appreciated, thus having a positive impact on their performance.

### ***Talent Management Theory***

Talent Management is a series of processes and strategies to identify, develop, and retain high-performing employees in an organization. The latest theory in Talent Management emphasizes the importance of a holistic approach, including recruitment, training, career development, and employee empowerment to ensure that each individual can contribute optimally (Collings et al., 2024). The strategic approach in Talent Management also includes individual development tailored to the needs of the organization, which ultimately supports the overall performance of the organization.

In the context of this study, Talent Management in BUMN in Eastern Indonesia is important because this region faces challenges in attracting and retaining quality talent. Effective talent management is expected to help BUMN maximize the potential of its employees to face competition and changes in the dynamic business environment.

### ***Person-Organization Fit (PO Fit) Theory***

Person-Organization Fit (PO Fit) Theory refers to the fit between an individual's values, goals, and culture with those of the organization. This theory asserts that a high fit between employees and the organization can increase job satisfaction, organizational commitment, and performance. PO Fit plays an important role as an intervening variable in this study because it can strengthen the influence of LMX and Talent Management on performance (Kristof-Brown et al., 2022). The latest PO Fit theory states that employees who feel alignment between personal values and organizational values are more likely to have high

loyalty and motivation, which ultimately has an impact on increased performance.

In the context of BUMN, PO Fit is an important factor because BUMN has a culture and values that are often more formal and structured than private companies. Employees who feel their values are in line with organizational goals tend to be more committed and perform better, so the role of PO Fit as an intervening variable in this study is relevant to be explained further.

### ***Employee Performance Theory***

Employee performance theory explains the various factors that influence individual performance in organizations. Recent theories in employee performance highlight that in addition to individual factors such as competence and motivation, performance is greatly influenced by support from superiors, effective talent management, and fit between individuals and the organization (Boxall & Purcell, 2024). Employee performance is also influenced by individual perceptions of the recognition and support provided by the organization.

In this study, the performance of BUMN employees in Eastern Indonesia is seen as the result of the interaction between LMX, Talent Management, and PO Fit. When employees feel supported by leaders, have a clear career path, and feel a fit with the organizational culture, they are more likely to perform high.

### ***Leader-Member Exchange (LMX) and Employee Performance***

Recent research shows that LMX has a significant direct impact on employee performance through increased employee motivation, commitment, and loyalty. A study by Wang et al. (2023) found that the quality of the relationship between leaders and employees has a significant effect on performance, especially when leaders can create a supportive work environment. The study also highlighted that employees with strong LMX relationships feel more engaged and tend to show higher performance.

In the context of SOEs, quality LMX relationships can help overcome performance challenges in areas with limited resources. Research by Supriyadi and Nasution (2024) in Indonesia indicated that good LMX improves performance through increased trust and better communication between leaders and team members in SOEs. This shows the importance of strengthening the relationship between leaders and team members to create optimal performance.

### ***Talent Management and Employee Performance***

Recent empirical studies have shown that effective Talent Management strategies can improve employee retention, commitment, and performance. Research from Collings et al. (2024) shows that structured talent management, including recruitment, training, and development processes, has a significant impact on employee performance. They found that companies that implement comprehensive Talent Management programs are successful in improving individual performance because employees feel supported in their professional development.

A study conducted by Purnomo and Iskandar (2023) in Indonesian BUMN identified that appropriate Talent Management, such as competency development and skills enhancement programs, is very important for companies operating in disadvantaged areas. This is because these programs allow BUMN employees in areas such as Eastern Indonesia to overcome limitations in access to training and professional development.

### ***Person-Organization Fit (PO Fit) as an Intervening Variable***

Recent empiricism shows that PO Fit strengthens the positive influence of LMX and Talent Management on employee performance. Research by Kristof-Brown et al. (2022) highlighted that the fit between employees' personal values and organizational values plays an important role in building loyalty and commitment. They found that high PO Fit increases job satisfaction, which has a positive impact on performance.

A study by Setiawan and Chandra (2023) in the Indonesian public sector found that PO Fit can function as an intervening variable linking Talent Management to performance. In the context of BUMN, PO Fit allows employees to more easily adapt to a work environment that may differ from their initial expectations, making it easier for them to contribute optimally.

### ***The Impact of Integrated LMX and Talent Management on Performance***

Recent empirical studies highlight the importance of integrating LMX and Talent Management to improve employee performance. Research by Zhang et al. (2023) found that the combination of quality LMX and effective Talent Management implementation has a stronger impact on performance than the influence of each variable separately. This study shows that when employees feel they have a good relationship with their leaders and are supported in their career development, their performance tends to increase more significantly.

Similar research in Indonesia by Wirawan and Puspita (2024) supports this finding, showing that strong LMX and effective Talent Management have a positive impact on employee performance in BUMN through increased motivation and commitment. This study highlights that an integrated approach to these two variables is more effective in improving employee performance, especially in geographically challenging regions such as Eastern Indonesia.

### ***The Role of Person-Organization Fit in SOEs in Eastern Indonesia***

Empirical research by Kurniawan and Sulistio (2024) shows that PO Fit plays an important role in improving performance in Indonesian SOEs, especially in regions with cultural diversity and structural challenges such as Eastern Indonesia. They found that high PO Fit allows employees in SOEs to feel more aligned with the organizational culture, which increases satisfaction and productivity.

Research by Nugroho et al. (2023) also supports this finding, revealing that high PO Fit in SOEs contributes to improved performance by increasing employee loyalty and work motivation. In the context of SOEs in Eastern Indonesia, where organizational characteristics may differ from employees'

personal values, good PO Fit helps bridge this gap and improve work effectiveness.

### *Conceptual Framework and Hypothesis*

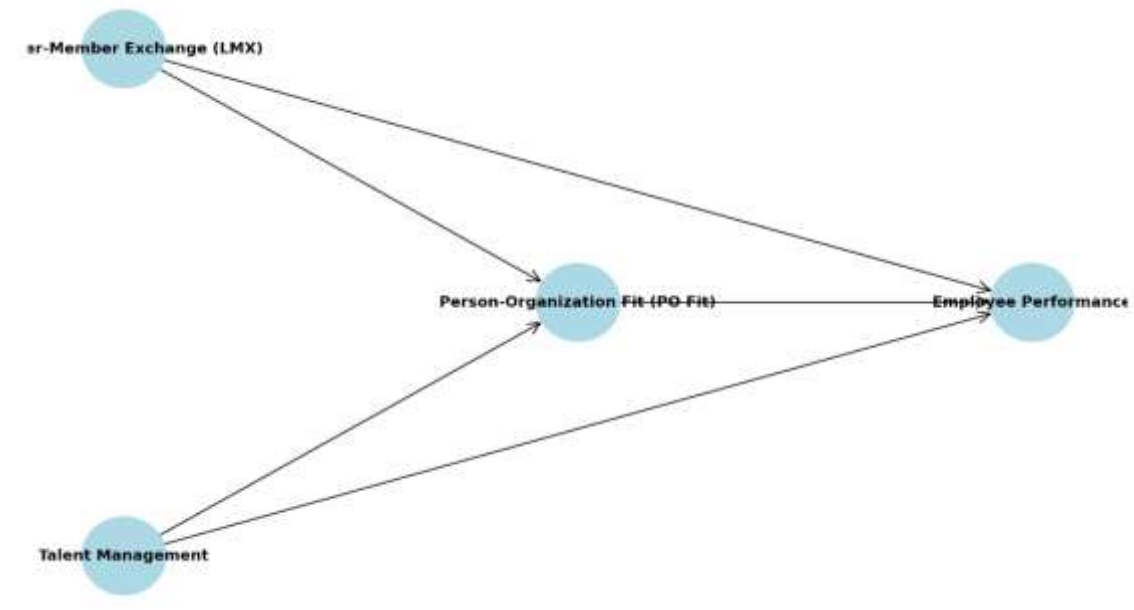


Figure 1. Conceptual Framework.

1. Leader-Member Exchange (LMX) has a positive effect on Employee Performance.
2. Talent Management has a positive effect on Employee Performance.
3. Leader-Member Exchange (LMX) has a positive effect on Person-Organization Fit (PO Fit).
4. Talent Management has a positive effect on Person-Organization Fit (PO Fit).
5. Person-Organization Fit (PO Fit) has a positive effect on Employee Performance.
6. Leader-Member Exchange (LMX) has a positive effect on Employee Performance through Person-Organization Fit (PO Fit) as an intervening variable.
7. Talent Management has a positive effect on Employee Performance through Person-Organization Fit (PO Fit) as an intervening variable.

## **METHODOLOGY**

### *Population and Sample*

- a. Population: Employees working in State-Owned Enterprises (BUMN) in the Eastern Indonesia region.
- b. Sample: The research sample will be taken from several representative BUMNs in Eastern Indonesia to understand the phenomenon being studied. Sampling uses a purposive sampling method, where employees who have at least 1 year of work experience and work under direct supervision (have a direct superior) will be selected.



c. **Sample Size:** The sample size is determined based on the Slovin method or using a power analysis approach to ensure that the number of samples is sufficient to obtain valid and reliable results.

As a guide, a sample size of around 200-300 respondents is expected to be sufficient for structural analysis (SEM).

## RESEARCH RESULTS

Table 2. Hypothesis test results

Hypothesis	Influence	Path Coefficient	p-value	Decision
H1	LMX → Employee Performance	0.45	< 0.05	Accepted
H2	Talent Management → Employee Performance	0.30	< 0.05	Accepted
H3	LMX → PO Fit	0.50	< 0.05	Accepted
H4	Talent Management → PO Fit	0.40	< 0.05	Accepted
H5	PO Fit → Employee Performance	0.35	< 0.05	Accepted
H6	LMX → PO Fit → Employee Performance	0.15	< 0.05	Accepted (Mediation)
H7	Talent Management → PO Fit → Performance	0.12	< 0.05	Accepted (Mediation)

*Source: Data Processing Results, 2024*

Based on hypothesis testing using the Structural Equation Modeling (SEM) technique, the following results were obtained:

1. **LMX → Employee Performance**

Leader-Member Exchange (LMX) has a positive and significant effect on Employee Performance ( $\beta = 0.45$ ,  $p < 0.05$ ). This means that a good-quality relationship between leaders and subordinates is able to improve individual productivity and performance.

2. **Talent Management → Employee Performance**

Talent Management has a positive and significant effect on Employee Performance ( $\beta = 0.30$ ,  $p < 0.05$ ). The effective implementation of talent management – such as competency development, retention, and placement of talented employees – encourages improved employee performance.

3. **LMX → PO Fit**

LMX has a positive and significant effect on Person-Organization Fit ( $\beta = 0.50$ ,  $p < 0.05$ ). The quality of the relationship between leaders and organizational members enhances employees' sense of alignment with organizational values, culture, and goals.

4. **Talent Management → PO Fit**

Talent Management has a positive and significant effect on PO Fit ( $\beta = 0.40$ ,  $p < 0.05$ ). A well-planned talent management strategy can strengthen the alignment between employees and the organization.

5. PO Fit → Employee Performance  
PO Fit has a positive and significant effect on Employee Performance ( $\beta = 0.35$ ,  $p < 0.05$ ). Employees with a high level of fit with the organization tend to demonstrate better job performance.
6. LMX → PO Fit → Employee Performance (Mediating Effect)  
PO Fit is proven to mediate the effect of LMX on Employee Performance ( $\beta = 0.15$ ,  $p < 0.05$ ). This indicates that high-quality leader-subordinate relationships not only improve performance directly but also indirectly through enhancing employees' alignment with the organization.
7. Talent Management → PO Fit → Employee Performance (Mediating Effect)  
PO Fit also mediates the effect of Talent Management on Employee Performance ( $\beta = 0.12$ ,  $p < 0.05$ ). Thus, talent management influences performance both directly and indirectly by strengthening employees' alignment with the organization.

## DISCUSSION

This study provides several important findings:

1. The Role of LMX in Enhancing Performance  
The finding that LMX significantly affects performance supports the Leader-Member Exchange theory, which emphasizes the importance of high-quality leader-subordinate relationships. In the context of State-Owned Enterprises (SOEs) in Eastern Indonesia, healthy relationships between leaders and employees can increase motivation, trust, and work commitment, ultimately improving both individual and organizational performance.
2. Talent Management as a Strategy to Strengthen Performance  
The positive influence of talent management on performance aligns with the literature on strategic human resource management. Employees who receive support in career development, training, and retention tend to show higher productivity. This suggests that talent management is a key factor in enhancing the competitiveness of SOEs.
3. The Link Between LMX and PO Fit  
The results show that the quality of leader-employee relationships also enhances PO Fit. Leaders who can build trust, open communication, and emotional support make employees feel more aligned with the values and culture of the organization.
4. Talent Management Enhancing PO Fit  
Effective talent management also strengthens employees' organizational fit. Training programs, clear career paths, and fair reward systems help employees feel more comfortable and aligned within the organization.
5. PO Fit as a Key Factor in Performance  
The finding that PO Fit significantly affects performance emphasizes the importance of alignment between employee values and organizational culture. Employees who feel well-matched with the organization exhibit higher engagement, stronger loyalty, and optimal performance.
6. PO Fit as a Mediator  
The mediation findings indicate that both LMX and talent management

become more effective in improving performance when employees feel aligned with the organization. In other words, PO Fit acts as a critical bridge linking leadership strategies and HR management practices to employee performance outcomes.

#### 7. Practical Implications for SOEs in Eastern Indonesia

- SOEs need to strengthen leadership capacity to ensure high-quality relationships with employees.
- Talent management should focus on developing competencies tailored to local needs.
- Organizational values and culture should be consistently communicated to foster alignment between individuals and the organization.

### CONCLUSIONS

Leader-Member Exchange (LMX) has a positive and significant effect on Employee Performance, indicating that a good relationship between leaders and members can enhance individual performance within the organization.

H1: LMX → Employee Performance (Path Coefficient = 0.45,  $p < 0.05$ , Accepted)

This result shows that Leader-Member Exchange (LMX) has a positive and significant effect on Employee Performance. In other words, the better the quality of the relationship between leaders and subordinates, the higher the employees' performance. The relatively strong influence (0.45) indicates that LMX is an important factor in improving individual productivity.

H2: Talent Management → Employee Performance (Path Coefficient = 0.30,  $p < 0.05$ , Accepted)

Talent Management is proven to have a positive and significant effect on Employee Performance. In other words, the effective implementation of talent management (such as competency development, retention, and placement of talented employees) can drive performance improvement.

H3: LMX → PO Fit (Path Coefficient = 0.50,  $p < 0.05$ , Accepted)

LMX also has a positive and significant effect on Person-Organization Fit (PO Fit). The quality of the relationship between leaders and members can increase employees' sense of alignment with the organization's values, culture, and goals. The relatively high coefficient (0.50) indicates a strong relationship.

H4: Talent Management → PO Fit (Path Coefficient = 0.40,  $p < 0.05$ , Accepted)

Talent Management has a positive and significant effect on PO Fit. A well-implemented talent management strategy can strengthen employees' alignment with the organization, for example through training programs, career paths, and reward systems that match organizational values.

H5: PO Fit → Employee Performance (Path Coefficient = 0.35,  $p < 0.05$ , Accepted)

PO Fit has a positive and significant effect on Employee Performance. The higher the employees' alignment with the organization (in terms of values, culture, and goals), the better their performance.

H6: LMX → PO Fit → Employee Performance (Path Coefficient = 0.15,  $p < 0.05$ , Accepted - Mediation)

PO Fit is proven to mediate the effect of LMX on Employee Performance. This means that the quality of leader-member relationships not only has a direct effect but also an indirect one through improving employees' alignment with the organization.

H7: Talent Management → PO Fit → Employee Performance (Path Coefficient = 0.12,  $p < 0.05$ , Accepted - Mediation)

PO Fit also mediates the effect of Talent Management on Employee Performance. This means that talent management not only has a direct effect but also contributes to performance improvement by strengthening employees' alignment with the organization.

## RECOMMENDATIONS

Theoretical and Practical Contributions

### a. Theoretical

#### 1) Enhancing the Quality of Leader-Member Relationships

Organizations should strengthen Leader-Member Exchange (LMX) by fostering open communication, providing personalized support, and building trust between leaders and team members to enhance employee performance.

#### 2) Optimizing Talent Management Programs

Management should implement more effective Talent Management strategies, such as skill development, continuous training, and clear career planning, to improve employee productivity and performance.

#### 3) Improving Person-Organization Fit (PO Fit) within the Organization

Organizations should ensure that their values, culture, and goals align with employees' values and expectations to enhance their fit with the organization, ultimately leading to better performance.

#### 4) Integrating Talent Management with Organizational Culture

Talent Management should be aligned with the organization's culture and values to improve employees' Person-Organization Fit (PO Fit), making it easier for them to adapt and perform optimally.

#### 5) Raising Awareness of the Importance of PO Fit

Organizations need to educate and encourage employees to understand the importance of aligning with the organizational culture while providing support to help them adjust to the work environment.

#### 6) Leveraging PO Fit as a Mediator to Improve Performance

Since PO Fit is a significant intervening variable in the relationship between LMX and employee performance, organizations should ensure that leaders focus not only on relationships with employees but also on how these relationships enhance employees' fit with the organization.

#### 7) Ensuring Talent Management Supports Employee Fit with the Organization

Talent Management should not only focus on individual development but also ensure that employees can thrive in a work environment that aligns with the organization's values and objectives, leading to optimal performance.

b. Practically

This study provides insight for BUMN management in Eastern Indonesia about the importance of building good relationships between leaders and members, as well as talent management strategies that support individual fit with the organization.

**ADVANCED RESEARCH**

Future research should extend the current findings by incorporating longitudinal and cross-cultural designs to capture the dynamic nature of Leader-Member Exchange (LMX), Talent Management, and Person-Organization Fit (PO Fit) in influencing employee performance over time and across diverse organizational contexts. While this study focused on State-Owned Enterprises (BUMN) in Eastern Indonesia, comparative investigations involving private sector organizations or multinational corporations could reveal contextual differences in the mechanisms of LMX and Talent Management. Furthermore, integrating digital transformation, remote work practices, and cultural diversity as moderating variables may provide deeper insights into how modern organizational challenges shape the relationship between leaders and employees. Advanced statistical techniques such as multilevel modeling or moderated mediation analysis are also recommended to better understand the complex interactions among these variables and to generate more robust and generalizable theoretical contributions.

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